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November 17, 2006

VIA HAND DELIVERY AND ELECTRONIC FILING

The Honorable Joseph J. Farnan, Jr.
United States District Court
District of Delaware
J. Caleb Boggs Federal Building
844 N. King Street
Room 4124, Lockbox 27
Wilmington, Delaware 19801

Re: *Wells Fargo Bank N.A. v. Royal*, Case No. 02-1294-JJF

Charles A. Stanziale, Jr., Chapter 7 Trustee of Student Finance Corp. v. Pepper Hamilton, et al., Case No. 04-1551-JJF

Charles A. Stanziale, Jr., Chapter 7 Trustee of Student Finance Corp. v. McGladrey & Pullen LLP, et al., Case No. 05-72-JJF

Royal v. Pepper Hamilton, et al., Case No 05-165-JJF

Dear Judge Farnan:

We write on behalf of Royal Indemnity Company ("Royal") with respect to the Court's Order dated November 7, 2006 (D.I. 305). The Court has set a hearing in Case No. 05-165 on November 29, 2006 on the expedited motion to compel filed by McGladrey & Pullen LLP ("McGladrey"). That motion seeks to compel Royal, a Delaware corporation headquartered in North Carolina, to produce documents that are in the actual possession of Royal's ultimate parent company, located in the United Kingdom; there are nine other entities between Royal and this ultimate British parent.

But McGladrey's motion to compel production of documents in the possession of a non-party on another continent is only one of a number of pending motions which need speedy resolution given the intensive discovery schedule. In setting the date for the hearing, counsel for all parties in the four cases indicated their availability on the 29th. Accordingly, we respectfully request the Court to also hear these other pressing matters on November 29. We describe these additional matters below.

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Motions Addressing McGladrey's Document Productions

1. Royal has moved to compel the production of McGladrey's accounting manuals, documents concerning the successor relationship between Freed Maxick and McGladrey (a topic that Freed Maxick has placed at issue), documents concerning named defendant Michael Aquino's departure from McGladrey, other agreements entered into by the various defendants with one another, and McGladrey personnel records comparable to personnel records already produced by Royal. Royal's Motion to Compel Production of Documents from Accountant-Defendants is filed in Case No. 05-165 as docket number 299, and is expected to be fully briefed before November 29.

2. Royal challenged McGladrey's confidentiality designation of an agreed upon procedures report that McGladrey prepared for SFC. McGladrey moved to preserve the document's confidentiality designation. McGladrey's Motion to Preserve Confidentiality Designation and Limitation on Use and Disclosure was filed in Case No. 05-165 as docket number 218, and has been fully briefed by the parties.

Other Pending Matters

In addition, there are several other pending motions ready for disposition.

3. Pepper Hamilton LLP ("Pepper"), McGladrey and the other Accountant-Defendants have moved to dismiss or for judgment on the pleadings. This motion concerns the Third Circuit's recent opinion in *Seitz v. Detweiler, Hershey and Associates, P.C. (In re CitX Corp.)*, 448 F.3d 672 (3d Cir. 2006) and its impact, if any, on claims based on "deepening insolvency." While several motions originally were filed on this issue, the only currently pending motion is against the Trustee in Case No. 04-1551. The motion has been fully briefed by the parties. (*See, e.g.*, Case No. 04-1551, D.I. 109).

4. Pepper filed a Motion to Compel Production of Communications Between the Trustee and Royal, and Relating to the Trustee's Compensation, filed in Case No. 04-1551 as docket number 133. Pepper's motion has been fully briefed by the parties. In responding to this motion, the Trustee filed a Cross-Motion For Protective Order and to Compel Discovery from Pepper, which seeks the production of certain documents logged by Pepper as privileged, as well as documents relating to the compensation of Pepper partner and named defendant Roderick Gagne. (Case No. 04-1551, D.I. 156). Briefing on the trustee's cross-motion is scheduled to be completed by December 11, 2006.

5. Case Management Order #2 set shorter discovery and other deadlines solely with respect to the issues remanded by the Third Circuit. Case Management Order #2 contemplated completion of document productions by June 30, 2006. Substantial document production has occurred since and is ongoing. Therefore, Royal, MBIA and Wells Fargo (the only affected parties) have agreed to a Second Amended Case Management Order #2, with extended deadlines

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for matters such as the completion of fact discovery, and which will be submitted for the Court's approval in advance of the November 29 hearing.

6. McGladrey has refused to schedule any of its witnesses for depositions prior to January 2007. Royal has moved to compel McGladrey's compliance with this Court's Case Management Orders. This motion was filed in Case No. 05-165 as docket number 196, and has been fully briefed by the parties.

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We would appreciate the opportunity to address any or all of these additional pending matters at the upcoming hearing.

Respectfully,

/s/ Tiffany Geyer Lydon

Tiffany Geyer Lydon

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